

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr.

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200

May 17, 2006

Top Reasons to Oppose Republican Budget

The House Majority budget resolution actually makes the deficit worse, offers no plan to bring the budget back to balance, and adds to the growing burden of the national debt. Meanwhile, the budget makes harmful cuts to critical services for the American people – including education, veterans’ services, health, and environmental protection.

1. Makes Bad Deficits Worse — The Republican budget resolution has no plan to bring the budget back to balance, and, in fact, makes the deficit \$410 billion over five years compared to current services deficit estimates. The budget includes a deficit for 2006 of \$372 billion, and a deficit for 2007 of \$348 billion. These deficits mean that, under Majority policies, the five largest deficits in history will have occurred in five consecutive years. Over the next five years (2007-2011), the budget resolution calls for deficits totaling \$1.1 trillion.

Another Record Deficit

The Five Largest Deficits in History

| Rank | Year | Deficit |
|-----------------|------|----------------|
| 1 st | 2004 | -\$412 Billion |
| 2 nd | 2003 | -\$378 Billion |
| 3 rd | 2006 | -\$372 Billion |
| 4 th | 2007 | -\$348 Billion |
| 5 th | 2005 | -\$318 Billion |

2. Calls for Mounting Legacy of Debt — Since this Administration took office, it has requested and the Congress has provided four increases in the statutory debt ceiling totaling \$3 trillion. This budget resolution calls for an additional \$653 billion increase in the debt limit, and by 2011, total increases in the debt subject to limit would hit \$5.3 trillion.

Republicans Increase the Debt Limit by \$3.7 Trillion

Debt Limit Increases, Billions of Dollars

| | |
|-------------------------|----------------|
| June 2002 | \$450 |
| May 2003 | \$984 |
| November 2004 | \$800 |
| March 2006 | \$781 |
| House Budget Res. Level | \$653 |
| Total Increases | \$3,668 |

3. Does Not Add A Single Penny More for Labor-HHS-Education Programs — The Majority revised its resolution in an attempt to assuage concerns about its inadequate funding for domestic priorities, but in fact, they did not add a single penny in new funding. The revised resolution will include non-binding language in which the House only “recognizes” the need to increase funding for the Labor-HHS appropriations bill by \$7 billion above the President’s request – but the resolution does not actually provide that funding. It also includes a reserve fund that could, in principle, provide more funding for appropriations but *only* if offsetting mandatory spending cuts were made. Such cuts are by no means certain to occur, but if they did, they could fall on important mandatory domestic programs such as Medicare and Medicaid.

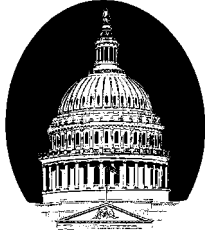
4. *Cuts Critical Services for Working Families While Protecting Narrow Interests* — The budget cuts appropriations for domestic services by \$9.4 billion relative to current services, and by \$3.2 billion below the level passed by the Majority in the Senate. Meanwhile, the budget continues Medicare subsidies close to \$60 billion for managed care providers of Medicare even though they are supposed to save Medicare money, not cost more. The resolution also includes \$228 billion over five years for additional tax cuts, part of a \$3 trillion ten-year Republican tax cut agenda.

5. *Cuts Funding for Education* — The Majority resolution cuts appropriated funding for education and related programs below current services, providing the same inadequate level as provided by the President. For 2007, that level cuts funding for the Department of Education by \$2.2 billion below last year's comparable level, and eliminates 42 education programs.

6. *Cuts Funding for Veterans* — Over five years, the budget cuts funding for veterans' health care by \$6.0 billion below current services. The Majority will tout the fact that the budget raises discretionary spending for 2007 by \$2.6 billion, but these apparent gains are quickly reversed, with a cut for 2008 of \$59 million below current services, and cuts of increasing amounts in subsequent years, culminating in a cut of \$4.0 billion for 2011.

7. *Cuts Funding for Health* — The budget cuts funding for health by \$18.1 billion below current services over five years, the same insufficient level provided by the President. The Republican level means cuts to priorities such as the Centers for Disease Control, 18 of 19 institutes at the National Institutes of Health, and rural health activities. Senator Arlen Specter has characterized this level of health funding as "harmful to our country." Meanwhile, as noted above, the Majority budget leaves in place \$60 billion in unnecessary subsidies to managed care providers of Medicare.

8. *Fails to Protect the Environment* — For the environment and natural resources, this budget imposes a \$25.0 billion cut relative to current services over the next five years and imposes a \$2.9 billion cut for next year alone. This is the same level as the President's budget, which cuts funding for the Environmental Protection Agency (including the Clean Water State Revolving Fund), the Army Corps of Engineers, and the National Park Service.



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Top Reasons to Support Democratic Budget

1. Returns the Budget to Balance — The Minority alternative budget reaches balance in 2012. Our budget also has smaller deficits than the Majority budget, and accumulates less debt. By contrast, the Republican budget never returns to balance, and even refuses to show how big its deficits will be after 2011.

2. Includes Fiscally Responsible Budget Enforcement Rules — Our budget backs the two-sided Pay-As-You-Go (PAYGO) budget enforcement rules that require that the cost of any new mandatory spending or revenue legislation be fully offset. During the 1990s, two-sided PAYGO rules played a critical role in turning record deficits to record surpluses. Our budget also requires a separate vote to increase the debt limit, and prohibits using fast-track reconciliation procedures to make the deficit worse.

3. Invests in Education — The Minority budget provides \$4.6 billion more than the Republican budget for education appropriations, and over five years provides \$45.3 billion more than the Majority resolution. The Minority budget rejects the deep cuts proposed by the Majority budget, including the elimination of 42 education programs such as vocational education, Perkins loans, Safe and Drug-Free Schools state grants, and the GEAR-UP college readiness program. The Minority budget also makes a down payment on college affordability by cutting student loan interest rates.

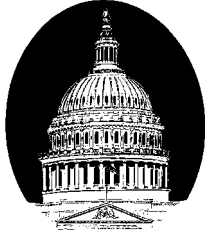
4. Keeps Our Commitment to Our Veterans — The Minority budget includes \$8.6 billion more than the Majority budget over five years for veterans' health care. The Minority budget also rejects the increase on health care fees on military retirees who are enrolled in Tricare. The Majority budget asks additional sacrifices from those who have already served and sacrificed for our country; the Minority budget rejects the misguided Majority policies and keeps our commitment to our veterans.

5. Provides More for Health Care — The Minority budget provides \$23 billion more over five years to fund health priorities cut by the Majority budget, including medical research at NIH and the CDC, rural health activities, and graduate medical education for children's hospitals. The Minority budget also takes steps to address the problems with the implementation of the Medicare prescription drug benefit, including extending the May 15 sign-up period through the end of year and protecting seniors from any enrollment penalties. The Minority budget also takes steps to help the uninsured, and creates a reserve fund to increase Medicare payments to physicians, which are currently scheduled to be cut.

(Continued)

6. *Protects the Environment* — The Democratic budget provides \$2.9 billion more than the Republican budget for 2007 for appropriated environmental protection and conservation programs, and \$25.0 billion more over five years. Our budget rejects Majority cuts to the Environmental Protection Agency (including the Clean Water State Revolving Fund), the Army Corps of Engineers, and the National Park Service.

7. *Rejects Cuts to Mandatory Spending* — The Democratic budget rejects the \$6.8 billion in fast-track reconciliation cuts to mandatory programs included in the Republican resolution, including a \$4.0 billion cut assigned to the Ways and Means Committee. Under reconciliation, authorizing committees can meet their assigned targets by cutting any program within their jurisdiction. The programs under the jurisdiction of the Ways and Means Committee that could be cut include Medicare, Unemployment Insurance, and the Earned Income Tax Credit.



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Majority Budget Resolution Continues Fiscal Irresponsibility

Democrats Put Forward Fiscally Responsible Budget — The Minority budget has smaller deficits than the Majority budget in 2007 and over five years, and also accumulates less debt over five years than the Majority budget. The Spratt alternative budget reaches balance in 2012, while the Majority budget never returns to balance, and even fails to show how big its deficits will be after 2011.

Minority Back Fiscally Responsible Budget Enforcement Rules — The Minority alternative budget backs the two-sided Pay-As-You-Go (PAYGO) budget enforcement rules that require that the cost of any new mandatory spending or revenue legislation be fully offset. During the 1990s, two-sided PAYGO rules played a critical role in turning record deficits to record surpluses. Our budget also requires a separate vote to increase the debt limit, and prohibits using fast-track reconciliation procedures to make the deficit worse. The Majority resolution includes none of these enforcement measures.

Majority Budget Makes the Deficit Even Worse — The Majority budget resolution has no plan to bring the budget back to balance, and, in fact, actually makes the deficit *worse* over five years compared to current services deficit estimates. Under the Majority policies continued by this budget resolution, the five largest deficits in history will have occurred from 2003 to 2007. Over the next five years (2007-2011), the budget resolution calls for deficits totaling \$1.1 trillion.

Another Record Deficit

The Five Largest Deficits in History

| Rank | Year | Deficit |
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Republicans Increase the Debt Limit by **\$3.7 Trillion**

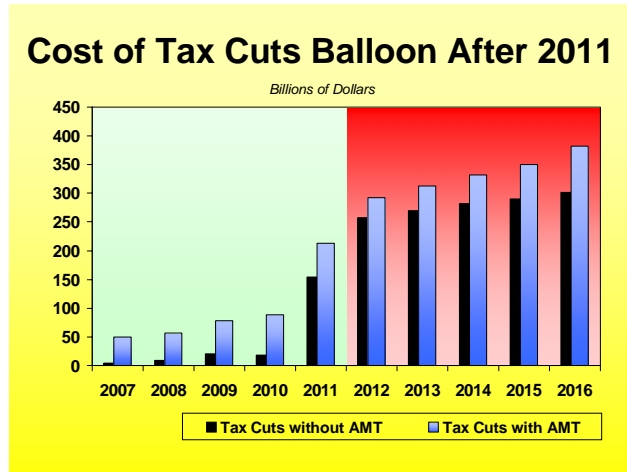
Debt Limit Increases, Billions of Dollars

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| Total Increases | \$3,668 |

Majority Budget Continues Legacy of Mounting Debt

— Since this Administration took office, it has requested and Congress has provided four increases in the statutory debt ceiling totaling \$3 trillion. The deficits in the Majority budget would, according to the report accompanying the resolution (see poster on reverse side of page), require another debt limit increase of \$653 billion – for a total increase in the debt limit of \$3.7 trillion since President Bush took office.

Budget Resolution Continues Expensive Republican Tax Agenda — The budget resolution calls for \$228 billion in tax cuts over five years, mirroring the major parts of the President’s tax agenda. If those Republican tax cuts are continued beyond the five-year budget window – as the President proposes – the cost of the tax cuts balloons to \$2.5 trillion over ten years, without accounting for extra debt-servicing costs. By contrast, the Democratic budget provides fiscally responsible middle-class tax relief, including \$150 billion in net tax cuts over the next ten years, with additional tax cuts accommodated as long as they are offset.



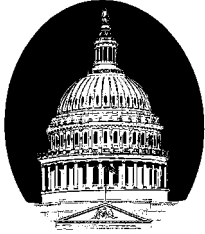
(Page 121 of Report to Accompany H.Con.Res. 376)

Public Debt: Amending the Statutory Limit Pursuant to House Rule XXVII

The adoption of a conference agreement by the two Houses on a concurrent resolution of the budget would result in the engrossment of a House Joint Resolution adjusting the level of the statutory limit on the public debt pursuant to House Rule XXVII, in consonance with clause 3 of that rule. This resolution contemplates a joint resolution of the following form:

Resolved, by the Senate and the House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting in lieu thereof \$9,618,000,000,000.

If the joint resolution is enacted to raise the debt limit to the level contemplated by this resolution, the limit will be increased from \$8.965 trillion to \$9.618 trillion, an increase of \$653 billion.



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Damaging Cuts in the House Republican Budget

“We see clearly that again this year there is economic injustice and indifference to those most in need. This budget not only continues the trend of last year in cutting programs for those most vulnerable but contains even greater cuts in the years to come.” — The leaders of five Protestant denominations representing close to 20 million Americans describing their moral opposition to the budget in a letter on March 29, 2006.

Cuts Funding for Public Health Programs and Medical Research — The budget matches the President’s insufficient level of funding for public health programs, shortchanging critical medical research, treatment, prevention and training programs. Over the five-year period of 2007 to 2011, funding for public health falls short of the amount needed to keep pace with inflation by \$18 billion. Programs that face cuts include 18 of 19 institutes at the National Institutes of Health, prevention programs at the Centers for Disease Control, graduate medical education for children’s hospitals, rural health activities, and scores of other health programs that the President cut or eliminated. The Democratic budget rejects the funding cuts to public health, and ensures that these programs maintain their purchasing power by providing \$18 billion more than the Majority budget over five years.

Provides No New Money for Transitional Medicaid Assistance — Transitional Medicaid Assistance (TMA) helps individuals leaving welfare for work by allowing them to keep their Medicaid coverage for up to 12 months. This program expires at the end of 2006. The budget does not provide any funding to extend Transitional Medicaid Assistance. The Minority budget does extend Transitional Medicaid Assistance, providing over \$500 million for this purpose.

Squeezes Programs for Low-Wage Workers and Vulnerable Families — The House budget is largely consistent with the President’s budget in its effects on safety-net programs such as housing, child care, and nutrition assistance. Over five years, the budget cuts funding for appropriated income security programs by \$14.9 billion below the amount needed to maintain current services, a 6.2 percent reduction. The budget is even \$100 million per year below the President’s level for these programs. The Minority budget rejects these cuts.

Slashes Education by \$2.2 Billion — Both the House budget resolution and the President’s budget cut funding for the Department of Education by \$2.2 billion below the comparable 2006

level. This is the second year in a row that Republicans will cut federal education funding despite school districts' need to meet demanding standards under No Child Left Behind, and the increasing cost of higher education. Like the President's budget, the matching House budget resolution eliminates 42 education programs, including:

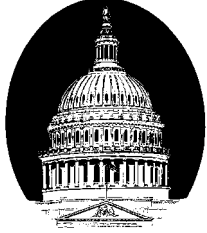
- ***Vocational education*** – entirely wiped out (\$1.3 billion for all programs);
- ***Perkins Loans*** – eliminates the loan cancellation program and recalls all prior federal contributions that colleges use to make Perkins loans (\$730 million); and
- ***Safe and Drug-Free Schools*** state grants (\$347 million).

The Democratic budget rejects these cuts. It provides \$45 billion more appropriations than the budget for education, community services, and job training programs over five years.

Cuts Veterans' Health Care by \$8.6 Billion — The budget rejects the President's proposal to increase health care fees for Priority 7 and 8 veterans, but it still cuts veterans funding beyond 2007. Over 2008 through 2011, the budget cuts veterans funding by \$8.6 billion below the level needed to maintain current services. In contrast, the Minority budget maintains the needed funding every year to avoid a reduction in services.

Cuts Budget Functions That Fund Homeland Security — The Republican budget cuts two budget functions that fund homeland security by \$488 million below the level CBO estimates is needed to maintain current services for 2007, and by \$6.1 billion over five years. The budget, therefore, leaves programs such as port security grants, first responders, Byrne Justice Assistance Grants, and the State Criminal Alien Assistance Program competing with other programs, like Community Development Block Grants. It provides no guarantee that sufficient homeland security funds would be available. In contrast, The Democratic budget rejects cuts to these vital programs, providing \$6.5 billion more than the Majority budget over five years.

Rejects Environmental Protection Needs — Like the President's budget, the budget cuts EPA funding by \$304 million from 2006. As in previous years, the majority of this decrease is attributed to considerably reduced funding for water infrastructure programs that ensure the provision of clean water and protect public health. The Clean Water State Revolving Fund is provided only \$688 million for 2007, a cut of \$199 million, or 22 percent, from 2006. This represents a \$403 million (37 percent) decrease in funding over the last two years and a \$654 million decrease (49 percent) since 2004. The Drinking Water State Revolving Fund is also slightly cut from 2006. The Minority budget rejects cuts to environmental programs that protect public health, and provides additional funding for these and other pollution-related priorities.



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Education: Republican Budget Leaves Students Behind

Budget Matches President's Deep Cuts — The House resolution matches the President's damaging education cuts dollar for dollar every year. Both budgets cut 2007 funding for education, social services, and training programs by \$4.6 billion below the amount needed to maintain purchasing power at the current level, and cut this funding more deeply each subsequent year. The Democratic budget rejects these harmful cuts, providing more funding than 2006, and \$45.3 billion more appropriations than the Majority budgets for these vital services for children and vulnerable adults over five years. Our budget also helps make a college education more affordable by cutting student loan interest rates.

Revised Budget Does Not Add A Single Penny More for Labor-HHS-Education Programs — Republicans revised their resolution in an attempt to assuage concerns about its inadequate funding for domestic priorities, but in fact, they did not add a single penny in new funding. The revised resolution includes non-binding language in which the House only "recognizes" the need to increase funding for the Labor-HHS appropriations bill by \$7 billion above the President's request – but does not actually provide that funding. It also includes a reserve fund that could, in principle, provide more funding for appropriations but *only* if offsetting mandatory spending cuts were made. The Minority budget actually provides real money for these programs – billions above the President's request for non-emergency domestic services.

Budget Slashes Education by \$2.2 Billion — Both the House budget resolution and the President's budget cut funding for the Department of Education by \$2.2 billion below the comparable 2006 level. This is the second year in a row that the Majority will cut federal education funding despite school districts' need to meet demanding standards under No Child Left Behind, and the increasing cost of higher education. Our budget rejects these damaging cuts to elementary, secondary, and higher education programs, and it provides sufficient resources to uphold the federal commitment to students.

Budget Eliminates 42 Programs Worth \$4.1 Billion — Like the President's budget, the House budget resolution eliminates 42 education programs worth \$4.1 billion, including:

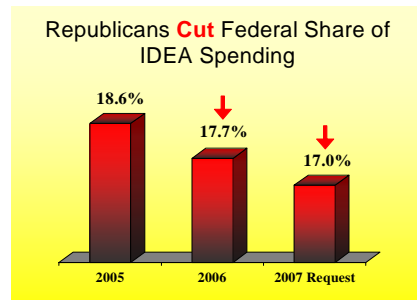
- ***vocational education*** – entirely wiped out (\$1.3 billion for all programs);
- ***Perkins Loans*** – eliminates the \$66 million loan cancellation program and recalls all prior federal contributions to the revolving funds from which colleges currently make Perkins loans (total of \$730 million for both parts);
- ***Safe and Drug-Free Schools*** state grants (\$347 million);

- **GEAR-UP**, a college-readiness program for low-income students (\$303 million);
- **education technology** – entirely wiped out (\$287 million); and
- **Even Start** family literacy program (\$99 million).

The Minority budget rejects these Republican cuts, and protects these education programs from elimination.

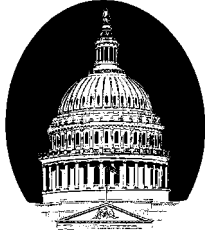
Budget Leaves Millions of Children Behind — The budget cuts funding for many No Child Left Behind Act programs, providing a total of \$24.0 billion for these elementary and secondary education programs, which is more than \$15 billion below the amount authorized for 2007. The proposed funding level does not meet the educational needs of America’s students – it fails to provide help to 3.7 million children eligible for Title I services and 2 million children eligible for after-school services that enhance student achievement. The Democratic budget rejects the cuts to key education programs in the No Child Left Behind Act, including teacher training funds in the Advanced Credentialing and School Leadership programs, all education technology programs, and comprehensive school reform.

Budget Cuts IDEA Federal Share — The President’s budget cuts the federal contribution for special education from the current 17.7 percent to only 17.0 percent of the national average per pupil expenditure, still less than half the 40 percent “full funding” federal contribution authorized by the Individuals with Disabilities Education Act (IDEA). The House budget resolution exactly matches the President’s overall education funding level. The Minority budget rejects the cuts and provides sufficient funding to maintain the federal commitment to special education services.



Budget Cuts Higher Education — The President’s budget cuts the aid for students to help pay for college. It freezes the maximum Pell Grant award at \$4,050, where it has been held since 2003 while the average tuition and fees at a four-year public college have risen \$1,393. It eliminates eight higher education programs that currently receive \$848 million. The House budget resolution exactly matches the President’s overall education funding level. The Minority budget rejects cuts to programs that help students attend college, and lowers the interest rate on new loans from 6.8 percent to 3.4 percent for one year, as a down payment on making higher education more affordable.

Democrats Support Vital Education Programs — The Minority budget is fiscally responsible, provides room for tax relief, and supports key national priorities including education. The Minority budget provides \$45.3 billion more than the House Majority budget in appropriations for education, social services, and training over five years. It also provides more student aid by lowering the interest rate on student loans from 6.8 percent to 3.4 percent for one year, as a down payment on efforts to help more students afford college.



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Veterans and Military Retirees: Majority Budget Cuts Veterans' Health Care and Taxes Military Retirees

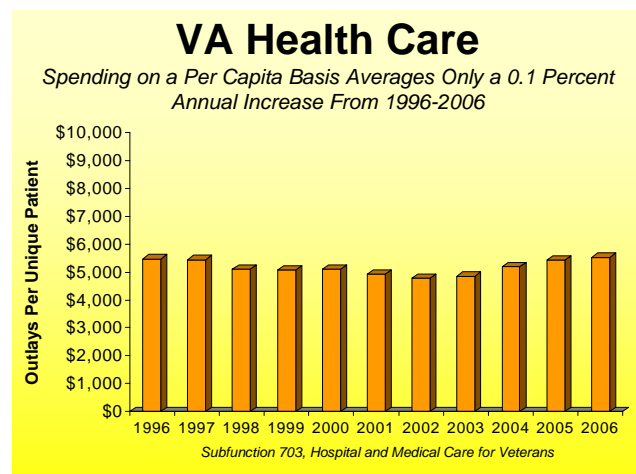
The House Majority Cut Veterans' Health Care \$8.6 Billion — The House budget rejects the President's proposal to increase health care fees for Priority 7 and 8 veterans, but it still cuts veterans funding beyond 2007. Over 2008 through 2011, the budget cuts veterans funding by \$8.6 billion below the level that CBO estimates is needed to maintain current services. In contrast, the Democratic budget maintains the needed funding every year to avoid a reduction in services.

Veterans Discretionary Programs Cut \$8.6 Billion over 2008 through 2011

(Budget Authority in Billions of Dollars)

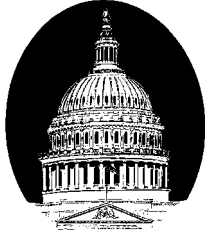
| | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> | <u>Total 2007-11</u> | <u>Total 2008-11</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------------|----------------------|
| Republican Budget | 36.9 | 35.2 | 34.9 | 34.2 | 34.4 | 175.6 | 138.7 |
| CBO Current Services | 34.3 | 35.2 | 36.3 | 37.3 | 38.4 | 181.6 | 147.3 |
| Republican Budget Above or Below Current Services | +2.6 | -0.1 | -1.4 | -3.1 | -4.0 | -6.0 | -8.6 |

Majority Will Try to Deflect Criticism by Citing past VA Increases — The Majority will likely display a chart indicating the significant increases in veterans discretionary funding over the last decade. While there have been significant increases to the program, this is due to a significant increase in the number of veterans using the health care system. From 1996 to 2006, the number of unique patients increased by 2.4 million. On a per capita basis, veterans' health care funding increases average only 0.1 percent per year, a level well below inflation for medical care.



Republicans Increase Tricare Fees for Military Retirees — The House Majority’s budget matches the President’s budget for defense, which proposes significant increases in health care fees for military retirees under the age of 65. Under the proposal, health care fees will triple for retired officers, double for retired senior enlisted personnel, and increase by 40 percent for junior enlisted retirees. In contrast, the Democratic budget rejects this proposal.

Republican Budget Rejects Notion of Shared Sacrifice — The President’s budget rejects a notion of shared sacrifice during a time of war. The budget includes huge tax cuts for the wealthy, while increasing taxes in the form of fees on our veterans and military retirees – those who have already served and sacrificed for our country.



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Homeland Security: The Republican Budget Falls Short

The Majority Cuts Budget Functions that Fund Homeland Security — The budget provides two budget functions that fund homeland security with \$2.2 billion more than the President’s budget. However, the budget still cuts these functions by \$488 million below the level CBO estimates is needed to maintain current services for 2007, and by \$6.1 billion over five years. The budget, therefore, still leaves programs such as port security grants, first responders, Byrne Justice Assistance Grants, and the State Criminal Alien Assistance Program competing with other programs, like Community Development Block Grants. It provides no guarantee that sufficient homeland security funds would be available. In contrast, the Democratic budget rejects these cuts to ensure these vital programs receive sufficient funding. Instead the Minority budget provides \$6.5 billion more than the Majority budget over five years.

Budget Cuts Homeland Security Budget Functions **\$488 Million** in 2007

| Function | Republican Budget | CBO Current Services | Cut |
|----------|-------------------|----------------------|---------------|
| 450 | \$13,048 | \$13,469 | -\$421 |
| 750 | \$40,651 | \$40,718 | -\$67 |

Millions of Dollars

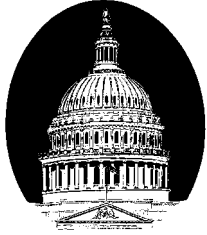
Port Security — It has been nearly five years since 9/11 and ports still lack physical security improvements, high-risk U.S.-bound containers still go uninspected, and two thirds of our ports of entry still lack radiation portal monitors. Despite these shortcomings the budget cuts the two budget functions that fund port security programs below the levels needed to maintain current services. Below describes three port security programs that have been inadequately funded to date and that will have to compete for dwindling resources in the future under the budget.

- ***Port Security Grant Funding Still Lacking Despite Coast Guard Assessments*** — The Coast Guard estimated that basic security measures such as installing fencing, lighting, and surveillance cameras at our ports will cost more than \$5 billion over ten years. Since 2002, only about \$800 million of federal port security grant funding has been provided, nearly all of it through congressional adds above the Administration’s requests. Like last year, the President includes no funding specifically for port security grants in his budget.

- ***Not All High Risk Containers at Foreign Ports Are Identified for Inspection*** — The Container Security Initiative program at the Department of Homeland Security (DHS), aimed at targeting and inspecting high-risk cargo at foreign seaports, currently operates in only 42 of the 140 overseas ports that ship directly to the U.S. That leaves almost 100 ports unattended. Additionally, the Government Accountability Office has found that even at those ports where the Container Security Initiative is in operation, they are undermanned.
- ***Radiation Portal Monitors Not at Every U.S. Port*** — Radiation portal monitors are used by U.S. ports to screen inbound cargo for concealed nuclear and radiological material. According to the DHS, there are 613 radiation portal monitors currently deployed at 110 points of entry. This leaves a total of 270 points of entry (more than two thirds) without this equipment.

National Defense Homeland Security — The Republican budget matches the President’s budget on National Defense, including its cuts to programs vital to the defense of our homeland. The President’s budget cuts Army National Guard troop strength by 17,100 and cuts the Cooperative Threat Reduction (CTR) program (otherwise known as the “Nunn-Lugar” program) by \$39 million below the amount enacted for 2006. In contrast, the Democratic budget rejects the cut to Army National Guard troop strength and CTR.

- ***Army National Guard*** — The Army National Guard has played a vital role in our operations in Iraq, and it has been stretched to its limit. Hurricane Katrina highlighted the need for National Guard personnel to respond to crises here at home as well as abroad. Yet the budget includes only enough funding to finance Army National Guard troop strength at 332,900, which is 17,100 below authorized levels.
- ***Cooperative Threat Reduction*** — In 2004, President Bush said: “...*the biggest threat facing this country is weapons of mass destruction in the hands of a terrorist network.*” The U.S. has participated in a number of programs to reduce the threat of weapons of mass destruction for over a decade. Despite this, there are still hundreds of tons of unsecured nuclear material in the former Soviet Union. The Administration’s budget requests for these efforts have remained relatively flat. For 2007, the budget cuts the Cooperative Threat Reduction program by \$39 million to a level that is \$86 million below the amount President Clinton requested for CTR for 2001.



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Republican Budget Ignores America's Health Care Needs

Ignores the Plight of the Uninsured

Budget Fails to Address the Problem of the Uninsured — Since 2000, the number of individuals without health insurance increased by six million, with nearly 46 million people lacking insurance in 2004. The House budget does nothing to address this problem.

Budget Provides No New Money for Transitional Medicaid Assistance — Transitional Medicaid Assistance (TMA) helps people leaving welfare for work by allowing them to keep their Medicaid coverage for up to 12 months. This program expires at the end of 2006. The House budget does not provide any funding to extend Transitional Medicaid Assistance.

Democrats Help the Uninsured — The Minority budget provides over \$500 million to extend Transitional Medicaid Assistance. The Minority budget also creates a reserve fund to provide affordable, comprehensive health insurance coverage to the uninsured. This reserve fund builds upon and strengthens public and private coverage, including preventing further erosion of Medicaid, the State Children's Health Insurance Program (SCHIP), and private coverage.

Republican Budget Shortchanges Public Health and Medical Research

Cuts Funding for Public Health Programs and Medical Research — The budget matches the President's insufficient level of funding for public health programs, shortchanging critical medical research, treatment, prevention and training programs. These cuts come at a time when public health programs are struggling to respond to sharply increased demand in the wake of Hurricanes Katrina and Rita. Over five years (2007-2011), funding for public health falls short of the amount needed to keep pace with inflation by \$20 billion. Programs that face cuts include:

- 18 of 19 institutes at the National Institutes of Health;
- prevention programs at the Centers for Disease Control;
- graduate medical education for children's hospitals;
- rural health activities; and,
- scores of other health programs that the President cut or eliminated.

Revised Budget Does Not Add A Single Penny More for Labor-HHS-Education Programs — The Majority revised its resolution in an attempt to assuage concerns about its inadequate funding for

domestic priorities, but in fact, they did not add a single penny in new funding. The revised resolution includes non-binding language in which the House only “recognizes” the need to increase funding for the Labor-HHS appropriations bill by \$7 billion above the President’s request – but does not actually provide that funding. It also includes a reserve fund that could, in principle, provide more funding for appropriations but *only* if offsetting mandatory spending cuts were made. Such cuts are not guaranteed, but if they do occur, they could fall on important mandatory programs such as Medicare and Medicaid.

Democratic Budget Protects Public Health Programs — Our budget rejects the funding cuts to public health, and ensures that these important programs maintain their purchasing power by providing \$23 billion more than the Majority’s budget over five years. It also provides more money for Labor-HHS programs – billions above the President’s request for non-emergency domestic services.

Republicans Do Not Fix Problems with the Medicare Prescription Drug Benefit

The Budget Does Not Address Problems with the Medicare Drug Benefit — The implementation of the Medicare prescription drug benefit got off to a rocky start, and many seniors were bewildered by the array of choices. Because many seniors did not make an informed choice of drug plan by May 15, they will pay, literally, for the rest of their lives in the form of higher premiums. The budget does nothing to address this or other problems with the drug benefit.

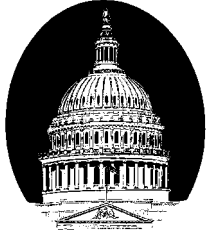
Democratic Budget Addresses Flaws with the Drug Benefit — The Minority budget provides for an extension of the sign-up period through the end of year, and protects seniors from any enrollment penalties. The budget also allows for other simple solutions to some of the problems facing the drug benefit, such as making sure that drug plans do not drop specific drugs from their formulary throughout the year.

Minority Fixes to the Drug Benefit are Fiscally Responsible — Our budget ensures that any fixes to the drug benefit do not contribute to the deficit by using the savings from negotiating prescription drug prices and elimination of the slush fund for preferred provider organizations (the “PPO slush fund”) to pay for any changes.

Republican Budget Fails to Address Medicare Physician Cut

Physicians Will Face a 4.6 Percent Payment Cut Under Majority’s Budget — Under the Medicare formula that sets physician payments, doctors will see a 4.6 percent cut to their Medicare payments in 2007. The budget does nothing to address this problem.

Minority Budget Mirrors Unanimous Senate Action to Fix Physician Payments — The Minority budget creates a reserve fund to increase Medicare payments to physicians, mirroring an amendment to the Senate budget resolution that passed unanimously.



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr.

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May 17, 2006

Republican Budget Undermines Environmental Needs

The House Majority Shares President's Environmental "Priorities" — Matching the President's budget dollar for dollar, the House budget resolution also rejects critical environmental needs, sharing the President's misplaced environmental priorities in the process.

Drastic Funding Cuts for Years to Come — For 2007, the budget provides \$28 billion in discretionary funding, which is \$2 billion (7 percent) below the 2006 enacted level, excluding supplemental funding, and is \$3 billion (10 percent) below the level needed to maintain current services. These drastic cuts undermine the ability to meet environmental priorities, and they jeopardize our nation's most treasured resources. The Democratic budget rejects these cuts, and, moreover, provides \$25 billion more than Republicans for environmental programs over the 2007-2011 period. (NOTE: a chart is available.)

BUDGET SHARES PRESIDENT'S ENVIRONMENTAL PRIORITIES

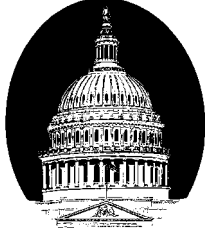
- 2011 funding is below 2006 enacted level.
- Clean water and drinking water needs ignored.
- Promised conservation funding unfulfilled.
- Drastic cuts for the Army Corps of Engineers.

Environmental Protection Needs Rejected — For 2007, the President's budget again cuts EPA funding by \$304 million from 2006. As in previous years, the majority of this decrease is attributed to considerably reduced funding for water infrastructure programs that ensure the provision of clean water and protect public health. The Clean Water State Revolving Fund is provided only \$688 million for 2007, a cut of \$199 million, or 22 percent, from 2006. This represents a \$403 million (37 percent) decrease in funding over the last two years and a \$654 million decrease (49 percent) since 2004. The Drinking Water State Revolving Fund is also slightly cut from 2006, to which the House Energy and Commerce Committee **Majority's Views and Estimates for 2007** states that it is **"concerned about this lesser level request of budgetary resources."** These low funding levels dramatically diminish the nation's ability to reduce pollution, establish a sound wastewater treatment infrastructure, provide safe drinking water for millions of Americans, and protect against potentially deadly water contamination. Analyses by EPA, CBO, and other organizations have found that the nation's water systems need significant investments in infrastructure to ensure the provision of safe drinking water and to

better protect public health. The President's budget also cuts, among other programs, environmental justice programs and ocean and coastline restoration programs. *The Majority budget matches the President's budget dollar for dollar. The Democratic budget rejects cuts to environmental programs that protect public health, and provides additional funding for these and other pollution-related priorities, including programs addressing brownfields cleanup and groundwater contamination from leaking underground storage tanks.*

Conservation Efforts Jeopardized — For 2007, the President's budget provides only \$86 million for the intended Land and Water Conservation Fund (LWCF) purposes of preserving parks, forest, wildlife refuges, and open space. This represents a cut of \$42 million (33 percent) from 2006. In addition, the President's budget once again eliminates the LWCF stateside program. The President's budget cuts funding for the National Park Service by \$102 million from 2006. This cut will deprive the millions of Americans who visit our national parks of the natural beauty, educational experience, and overall enjoyment they seek. (The Parks budget contains an \$87 million cut to park construction and major maintenance. The House Resources Committee **Majority's** Views and Estimates for 2007 even recommends, "... **funding the construction and major maintenance account level with the FY '06 enacted level ...**") The President's 2007 budget also cuts \$35 million from State and Private Forestry, \$84 million from Forest Health Management, and cuts the State and Local Fire Assistance Program and eliminates the Rural Fire Assistance program – a combined cut of \$16 million. *The Republican budget matches the President's budget dollar for dollar. The Democratic budget rejects cuts to vital conservation and recreation programs. It also maintains the LWCF stateside program.*

Cuts Funding for Army Corps of Engineers — Despite a need to modernize aging infrastructure and address the growing backlog of construction and maintenance projects, the President's budget significantly cuts funding for the Army Corps of Engineers, hindering its ability to address the economic, ecological, and humanitarian needs of the country. For 2007, Corps funding is about \$5 billion, a \$596 million cut (11 percent) from 2006, even after excluding the \$3 billion in supplemental funding provided in the wake of Hurricane Katrina. *The Majority budget matches the President's budget dollar for dollar. The Minority budget rejects cuts to the Army Corps in order to address the pressing needs for flood control, storm protection, navigation, and environmental restoration in communities throughout the country.*



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May 17, 2006

Republican Budget Harms America's Communities and Families

Squeezes Programs for Low-Wage Workers and Vulnerable Families — The House Majority budget is largely consistent with the President's budget in its effects on safety-net programs such as housing, child care, and nutrition assistance. Over five years, the budget cuts funding for appropriated income security programs by \$14.9 billion below the amount needed to maintain current services, a 6.2 percent reduction. The budget is even \$100 million per year below the President's level for these programs. That shortfall will translate into either fewer people receiving needed services, a decline in the quality of services, or a combination of both. The Democrat budget rejects these cuts. Moreover, it adds \$4.6 billion over five years for crucial investments in mandatory programs such as child care and child welfare programs.

Cuts Housing for the Disabled and Low-Income Families — The President's budget eliminates the HOPE VI program for transforming dilapidated public housing into thriving communities. It also slashes funding for supportive housing for the disabled nearly in half, cuts housing for the elderly by 26 percent, and cuts public housing operating funds by ten percent. The House Majority budget provides even less funding than the President's budget for appropriated income-security programs, including housing. The Minority budget preserves the current level of housing services and rejects Majority budget cuts that will lead to a decline in the quality of housing for low-income families.

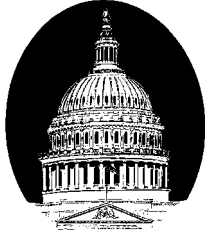
Requires \$4 Billion in Cuts from Ways and Means Committee — The Republican budget resolution includes reconciliation instructions to eight committees to cut spending by a total of \$6.8 billion over five years. More than half of the reconciled cut, \$4 billion, is assigned to the Ways and Means Committee, whose jurisdiction includes Medicare, Social Security, the Earned Income Tax Credit, Supplemental Security Income for low-income elderly and disabled, Temporary Assistance for Needy Families, foster care, and Unemployment Insurance (UI). The budget assumes the President's proposals to cut spending on UI benefits by \$1.1 billion over five years by increasing states' ability to detect and recover erroneous payments. Aside from the UI provisions, it is unclear what other specific cuts are in mind for the \$4 billion reconciliation instruction. Budget Committee Chairman Nussle has indicated that the reconciliation instructions do not assume any Medicare cuts. Excluding Medicare and Social Security (which is exempt from the reconciliation process), almost all remaining Ways and Means programs provide income security for individuals and families facing hardships, such as unemployed workers, low-income elderly and disabled, and the working poor and their children. The

Minority budget rejects cuts to safety-net programs. Instead, it makes critical investments to improve these programs. For example, the Democratic budget provides \$1 billion over five years as a down-payment on improvements to the child welfare system.

Cuts Child Care Funding — Like the President’s budget, the Republican budget freezes child care funding for 2007 at the 2006 level and cuts funding in subsequent years. Taking into account all federal resources for child care (including Social Services Block Grant and welfare funds spent on child care), the number of children receiving child care assistance has declined since 2003, and the President’s budget projects that this decline will continue – from 2.1 million children in 2006 to 1.8 million children in 2011. The Minority budget not only rejects cuts to child care funding, but also protects the purchasing power of child care funding by providing an inflation adjustment.

Cuts Community Development Programs — Over the next five years, the Republican budget’s funding level for community and regional development programs (Function 450) falls \$4.3 billion short of the amount necessary to maintain current services. As a result, programs such as the Community and Development Block Grant (CDBG) program, Economic Development Administration assistance, and the Rural Community Advancement program are at risk for service cuts. The Democratic budget rejects the Majority cuts to CDBG and other community development programs.

Cuts Social Services Block Grant — The Majority budget is consistent with the President’s cut of \$500 million to the Social Services Block Grant (SSBG) for 2007, for total funding of \$1.2 billion. This grant provides states with broad discretion to use these funds for social services such as child care, child welfare, home-based services, employment services, adult protective services, prevention and intervention programs, and special services for the disabled. The Minority budget protects funding for the Social Services Block Grant.



HOUSE BUDGET COMMITTEE

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May 10, 2006

Republican Budget Includes Nearly \$7 Billion in Reconciled Mandatory Spending Cuts

Budget Includes Reconciled Spending Cuts —

The budget resolution includes reconciliation instructions to eight committees to cut spending by a total of \$6.8 billion over five years. The resolution requires the committees to submit their recommendations for spending cuts to the Budget Committee by June 9. More than half of the reconciled cut is assigned to the Ways and Means Committee.

Reconciliation Instructions Require Ways and Means Committee To Cut \$4 Billion —

The budget requires \$4 billion in reconciled spending cuts from the Ways and Means Committee, whose jurisdiction includes Medicare, Social Security, the Earned Income Tax Credit, Supplemental Security Income for low-income elderly and disabled, Temporary Assistance for Needy Families, foster care, and Unemployment Insurance (UI). The Republican budget assumes the President’s proposals to cut spending on UI benefits by \$1.1 billion over five years by increasing states’ ability to detect and recover erroneous payments. Aside from the UI provisions, it is unclear what other specific cuts are in mind for the \$4 billion reconciliation instruction. Budget Committee Chairman Nussle has indicated that the reconciliation instructions do not assume any Medicare cuts. Excluding Medicare and Social Security (which is exempt from the reconciliation process), almost all remaining Ways and Means programs provide income security for individuals and families facing hardships, such as unemployed workers, low-income elderly and disabled, and the working poor and their children. The Democratic budget rejects cuts to safety-net programs. Instead, it makes critical investments to improve these programs. For example, the budget provides \$1 billion over five years as a down-payment on improvements to the child welfare system.

| Reconciled Spending Cuts in Committee Budget, 2007-2011 (Billions of dollars) | |
|---|-----------------|
| <i>House Committees</i> | |
| Agriculture | -0.055 |
| Armed Services | -0.175 |
| Education and the Workforce | -1.323 |
| Financial Services | -0.400 |
| International Relations | -0.250 |
| Judiciary | -0.500 |
| Transportation & Infrastructure | -0.050 |
| <u>Ways and Means</u> | <u>-4.000</u> |
| Total, 2007-2011 | -\$6.753 |

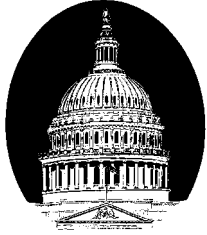
Other Committees Are Also Required to Make Cuts — Some of the policies that could be accommodated in the reconciliation targets for committees other than Ways and Means include:

- **Agriculture:** lift the cap on fees for an export loan guarantee program, and allow states

to use the federal new-hires database as part of income verification procedures for determining food stamp eligibility.

- **Armed Services:** authorize additional sales from the National Defense Stockpile.
- **Education and the Workforce:** increase variable-rate premiums paid to the Pension Benefit Guaranty Corporation (PBGC), consistent with pension reform legislation that passed the House in December.
- **Financial Services:** establish more actuarially sound rates on National Flood Insurance Program policies and end flood insurance subsidies for certain structures not used as primary residences.
- **International Relations:** no information available.
- **Judiciary:** no information available.
- **Transportation and Infrastructure:** increase transportation user fees or duties, or cut railroad retirement or Coast Guard retirement benefits.

President's Budget Calls for Even Larger Mandatory Cuts — The President's budget calls for mandatory spending much larger than those in the Republican budget – \$51.7 billion over five years. The President's budget achieves these cuts through a combination of service reductions and fee increases, with the biggest cuts affecting Medicare and PBGC.



HOUSE BUDGET COMMITTEE

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May 9, 2006

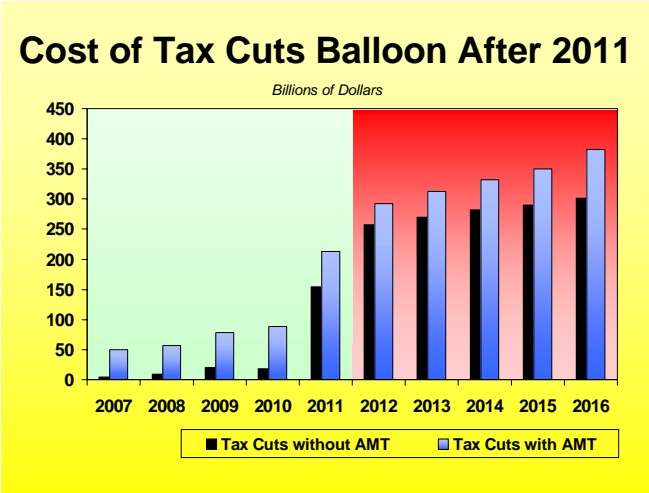
Republican Tax Cuts Yield More of the Same: Fiscal Deficits, Budget Gimmicks, and Insufficient Tax Relief for Working Families

Tax Cuts Benefit the Wealthy — The budget resolution calls for \$39 billion in tax cuts in 2007 and \$228 billion in tax cuts over five years, but specifies no particular policies. The revenue reduction is sufficient to incorporate an extension of the President's tax cuts and a one-year patch of the AMT, but is insufficient to accommodate the entire Majority tax agenda. The bulk of the tax cuts benefit those taxpayers at the top of the income distribution.

- The Brookings-Urban Tax Policy Center estimates that the extension of the President's tax cuts will result in almost half of the total tax cut, 46 percent, going to the four percent of filers with incomes over \$200,000, while those families making \$50,000 and less will receive just 16 percent of the total tax cut.
- Tax filers with incomes in excess of \$1 million will receive an average tax cut in 2011 of approximately \$158,000, about one hundred times the tax cut for the average taxpayer.
- New IRS data show that the President's investment income tax cuts are skewed toward the wealthiest taxpayers; approximately 43 percent of the cuts are received by the wealthiest one-tenth of one percent of Americans. The data show that those taxpayers earning less than \$50,000 receive almost nothing from the tax cuts – just \$10 – while those taxpayers with incomes over \$10 million receive tax cuts of approximately \$500,000.

House Republicans Rubber-Stamp President's Tax Cuts — Other than omitting the cost of Health Savings Accounts, the tax agenda included in the budget resolution is nearly identical to the one presented in the President's budget. The House Majority rubber-stamps the President's tax agenda and continues to promote a policy of growing deficits and mounting debt.

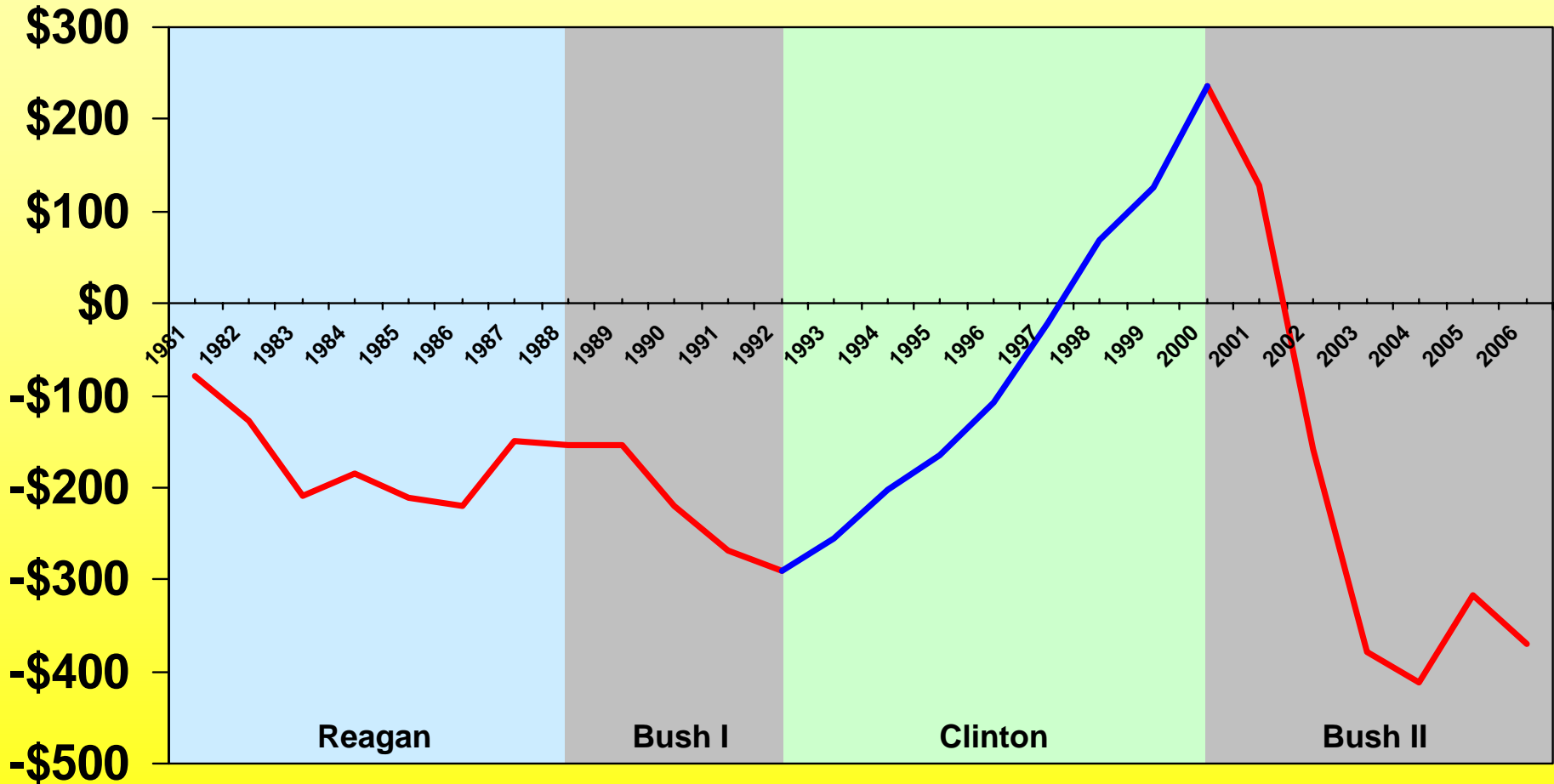
Costs of Republican Tax Cuts Explode Outside of Five-Year Budget Window — The budget window only reveals the costs of the fiscal policy changes through 2011, masking the true costs of the assumed Republican tax policies. If those tax cuts are continued beyond the five-year budget window, the cost of the tax cuts balloons to \$2.5 trillion over ten years, without accounting for extra debt-servicing costs. The trend of back-loaded costs is even evident in the five-year budget window, with the budget resolution calling for more tax cuts in 2011 than in the first four years of the budget window combined.



Democratic Plan Cuts Taxes Without Busting the Budget — The Democratic budget contains \$150 billion in net tax cuts aimed at providing tax relief to the middle-class while maintaining the goal of long-term deficit reduction.

Record Progress on the Budget Under Democratic Leadership

Budget Deficit in Billions



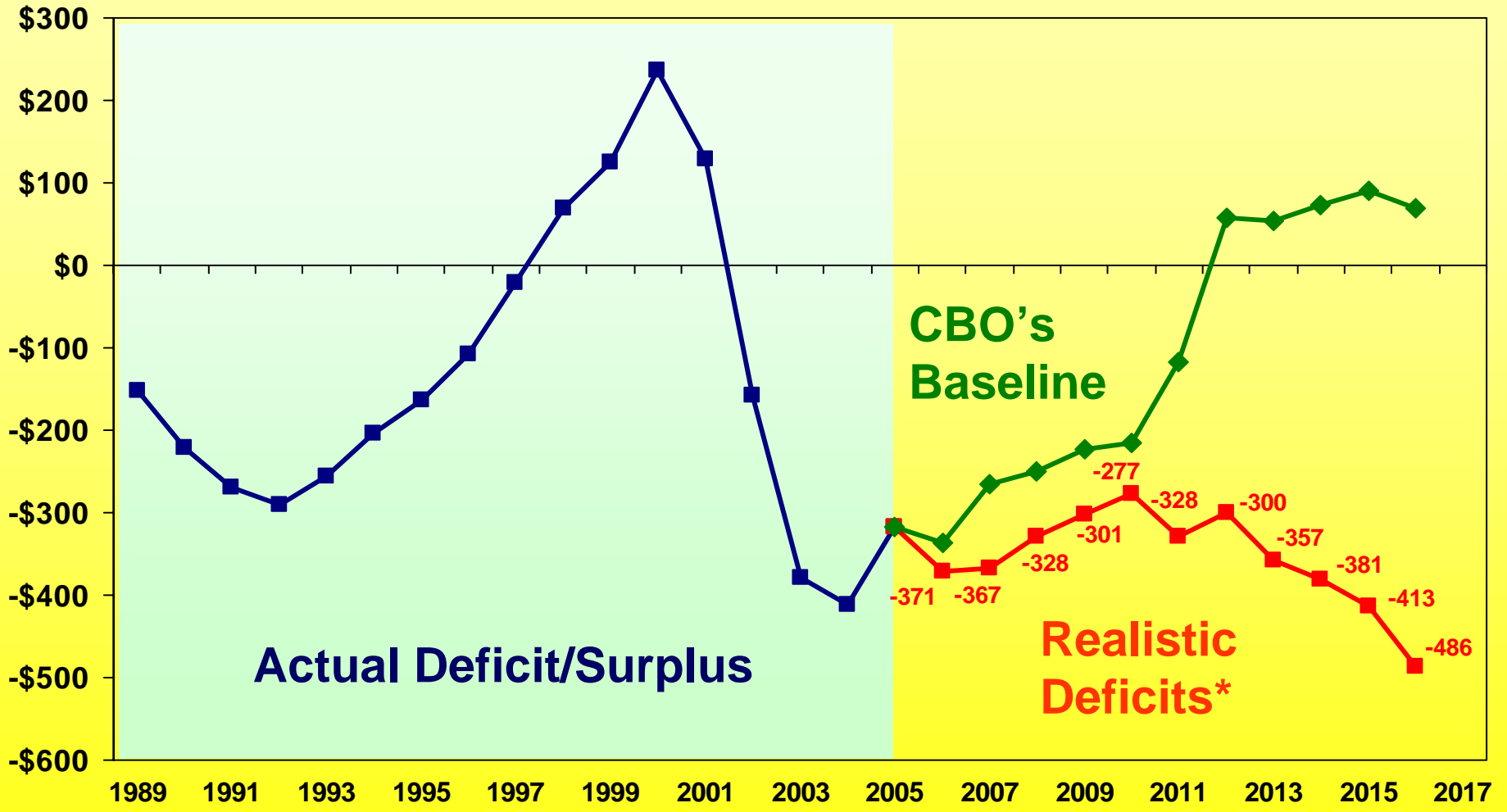
Another Record Deficit

The Five Largest Deficits in History

| <u>Rank</u> | <u>Year</u> | <u>Deficit</u> |
|-----------------|-------------|----------------|
| 1 st | 2004 | -\$412 Billion |
| 2 nd | 2003 | -\$378 Billion |
| 3 rd | 2006 | -\$372 Billion |
| 4 th | 2007 | -\$350 Billion |
| 5 th | 2005 | -\$318 Billion |

Realistic Estimate Shows Bleak Deficit Outlook

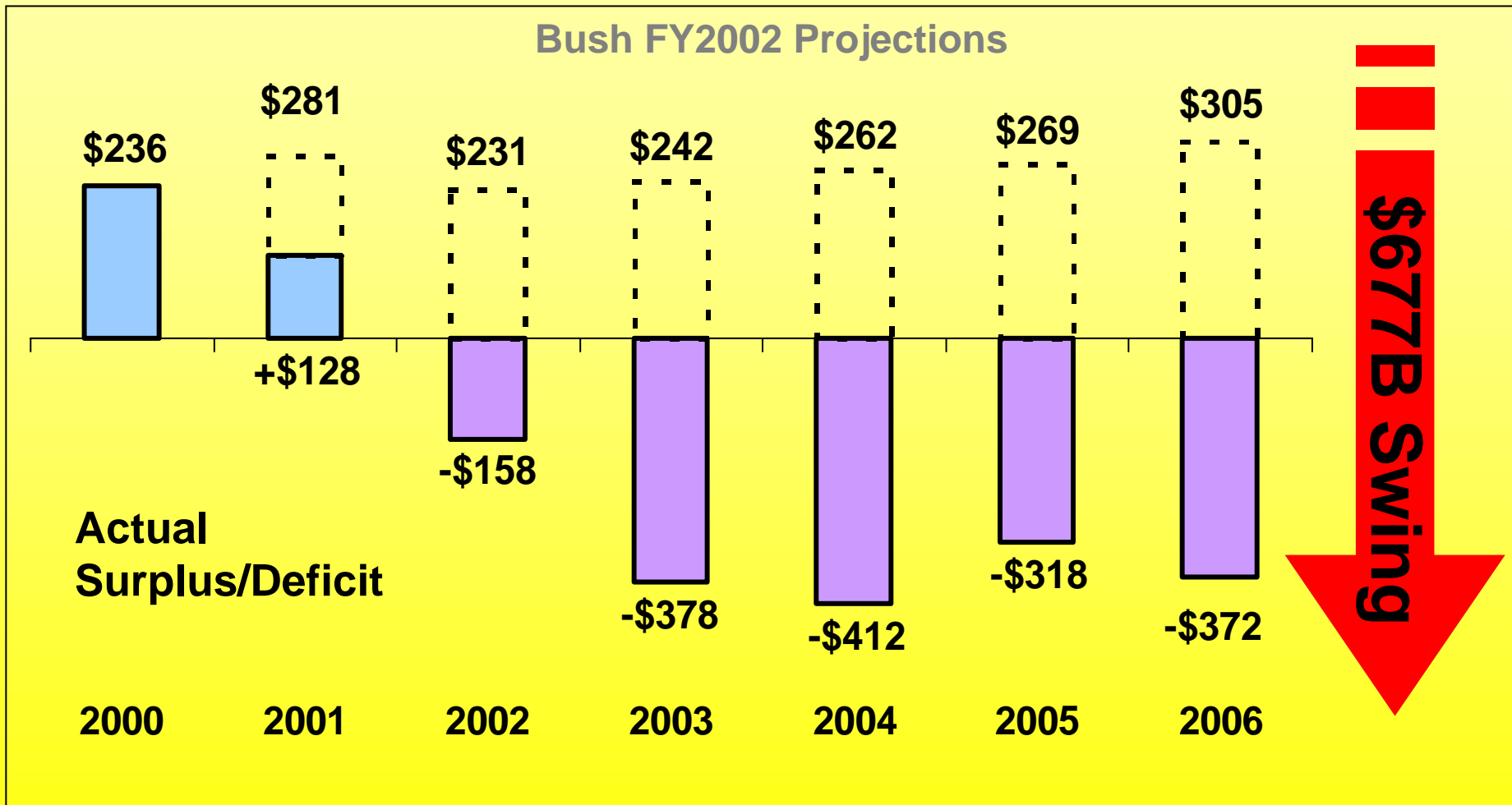
Deficits in Billions of Dollars



*10-Year Estimate of Administration's Budget Including Omitted Costs

Projected Surpluses Become Huge Deficits

Actual and Predicted Budget Surpluses and Deficits in Billions



Republicans Increase the Debt Limit by **\$3.7 Trillion**

Debt Limit Increases, Billions of Dollars

| | |
|-------------------------|----------------|
| June 2002 | \$450 |
| May 2003 | \$984 |
| November 2004 | \$800 |
| March 2006 | \$781 |
| House Budget Res. Level | \$653 |
| Total Increases | \$3,668 |

Republicans Nearly Double the Debt Limit

Debt Limit When Bush Took Office

\$5.95 Trillion

Increases

June 2002

\$6.40 Trillion

May 2003

\$7.38 Trillion

November 2004

\$8.18 Trillion

March 2006

\$8.97 Trillion

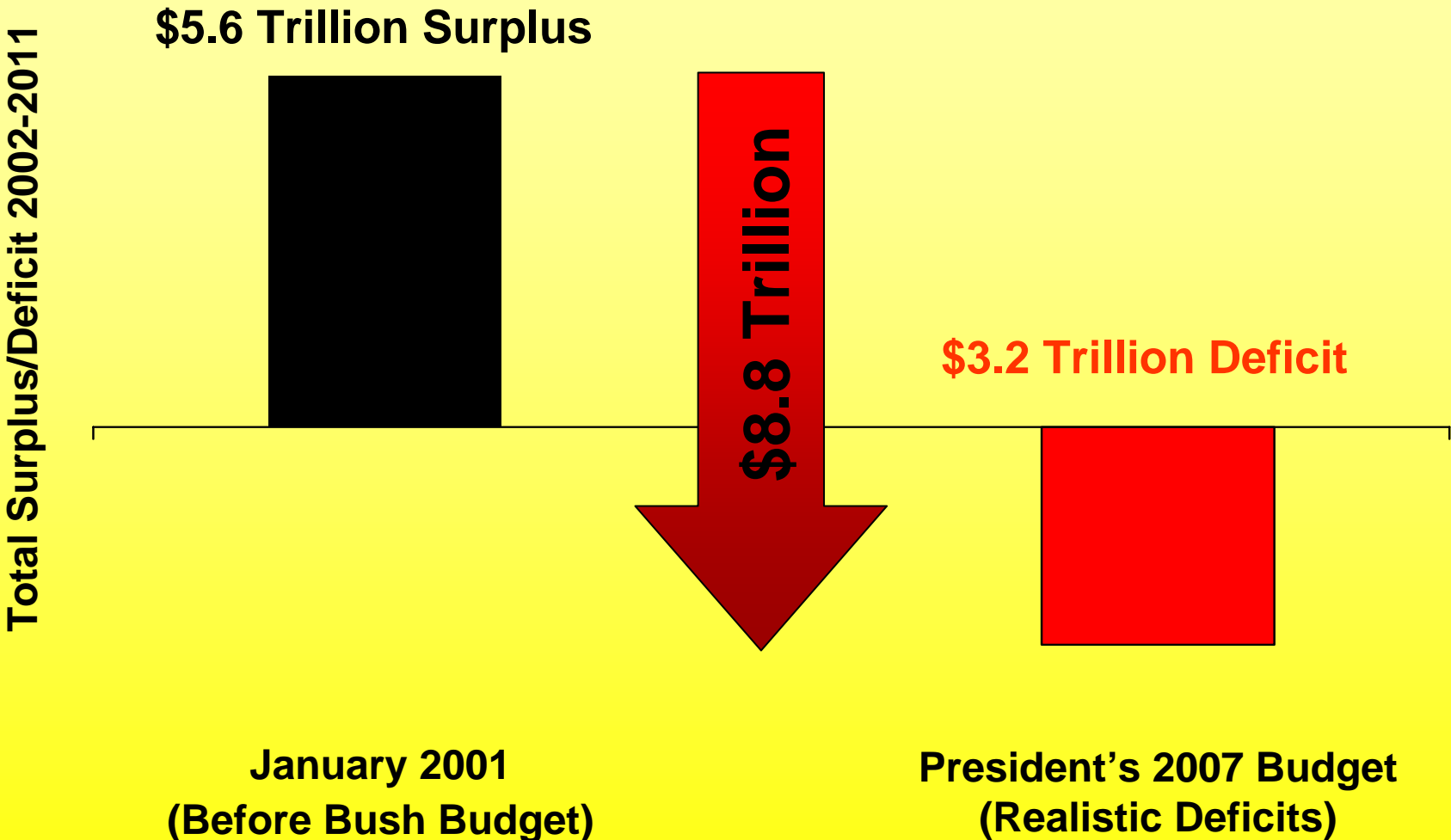
FY07 Budget Resolution

\$9.62 Trillion

Debt Limit Under Republicans by 2011

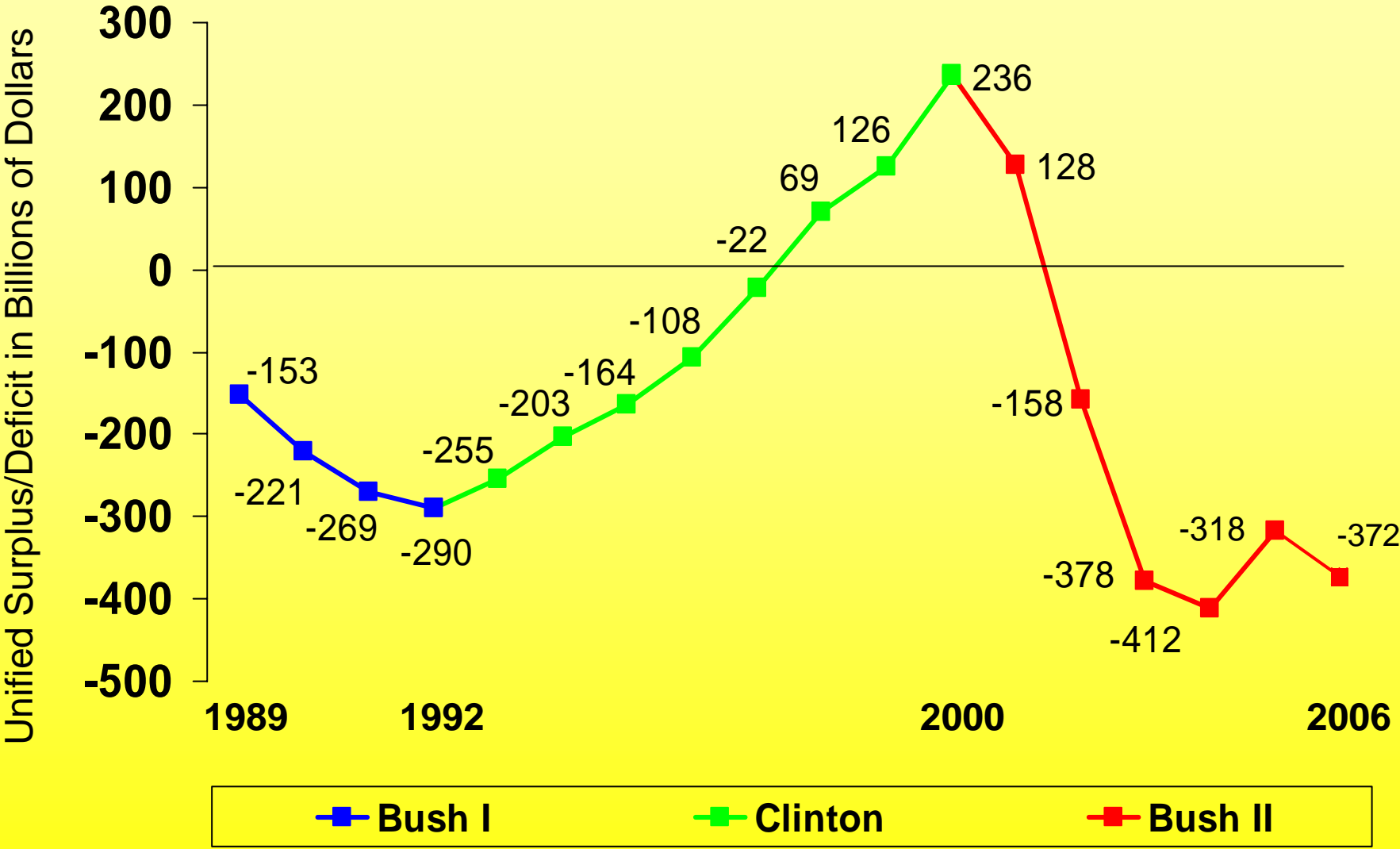
\$11.3 Trillion

Surplus Declines \$8.8 Trillion Under President's Policies



Backsliding Into the Deficit Ditch

From Deficit to Surplus to Deficit Again



President's Tax Agenda Costs \$3 Trillion

Revenue Effects Only

Cost: \$1,667 Billion

Interest: \$276.3 Billion

Outlay Effects

Cost: \$74.1 Billion

Interest: \$10.6 Billion

AMT Repair
(Minus President's 1-Year Patch)

Cost: \$843.8 Billion

Interest: \$166.1 Billion

Revenue Effects, Outlay Effects
& AMT Repair

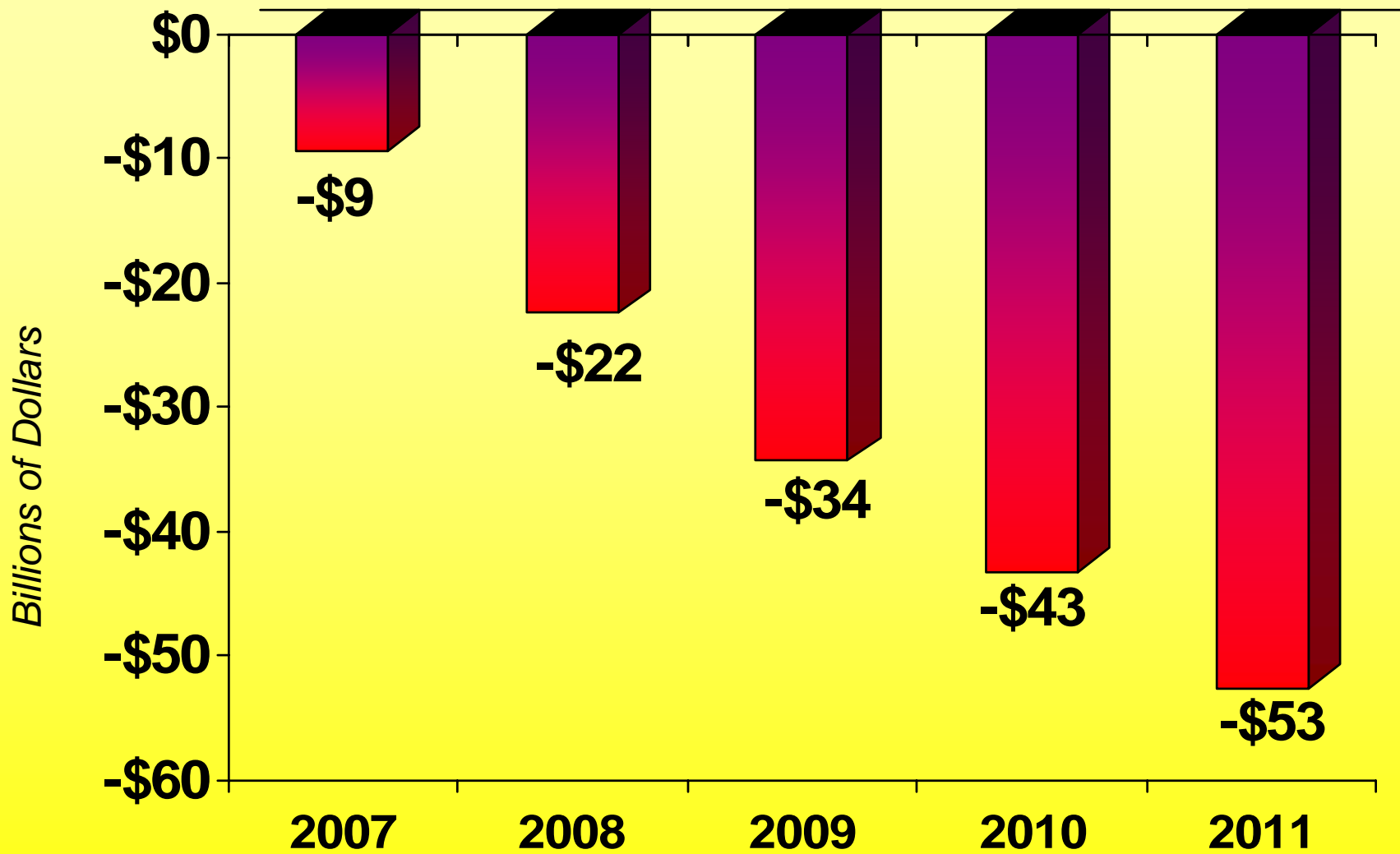
Cost: \$2,585 Billion

Interest: \$453 Billion

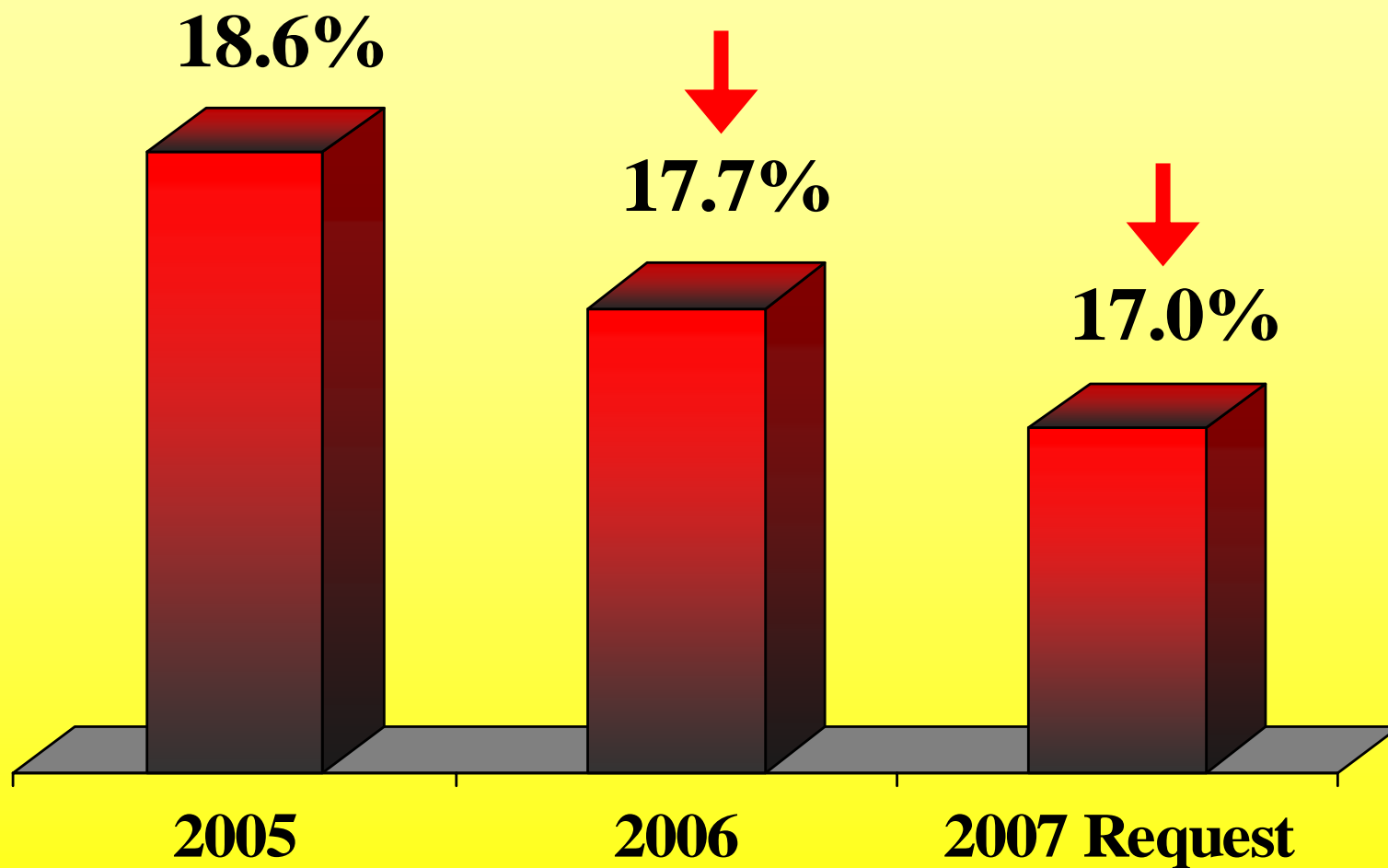
Total Deficit (2006-2016):

\$3.038 Trillion

House Republican Budget Cuts NDD Purchasing Power by \$162 Billion

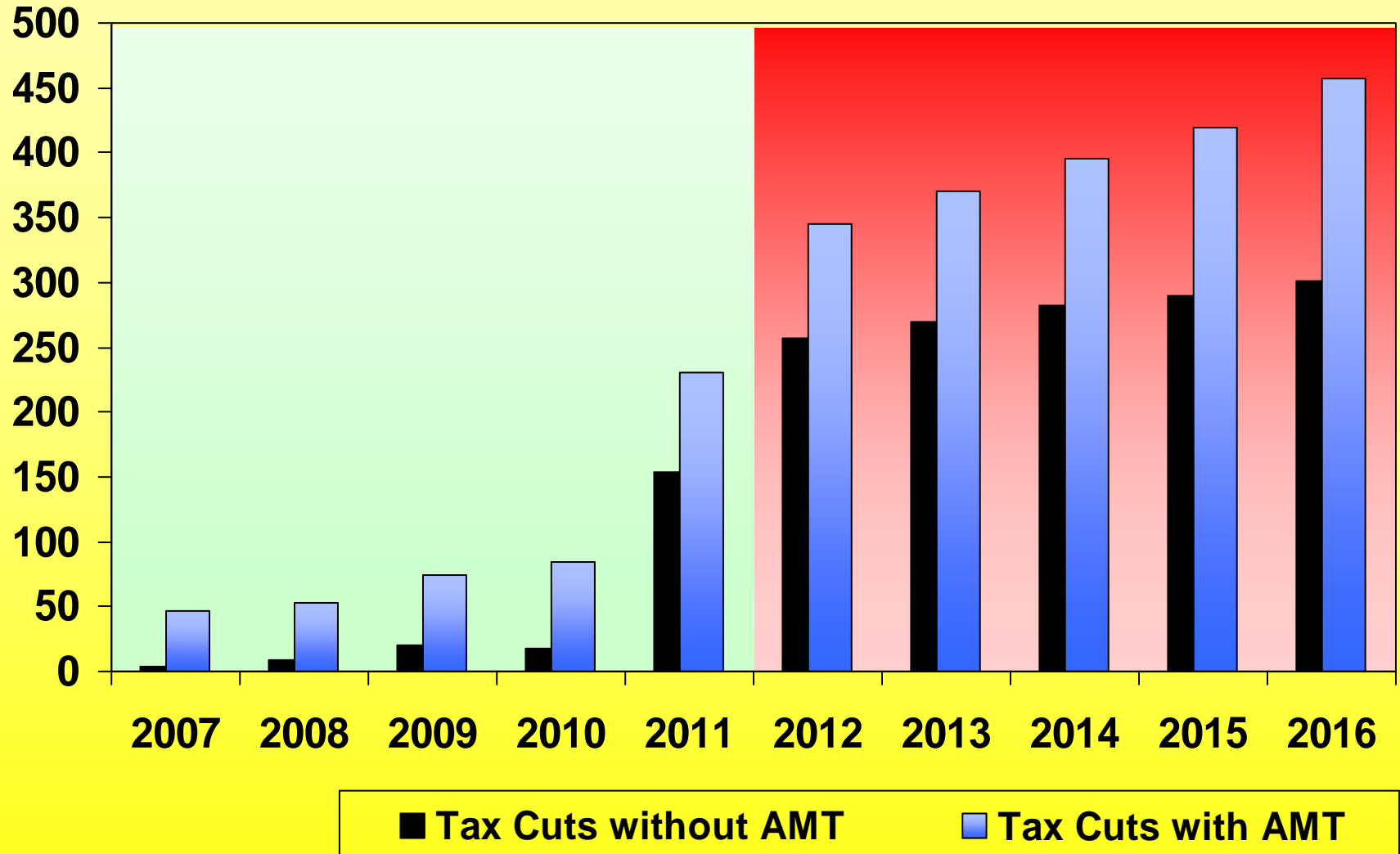


Republicans **Cut** Federal Share of IDEA Spending



Cost of Tax Cuts Balloon After 2011

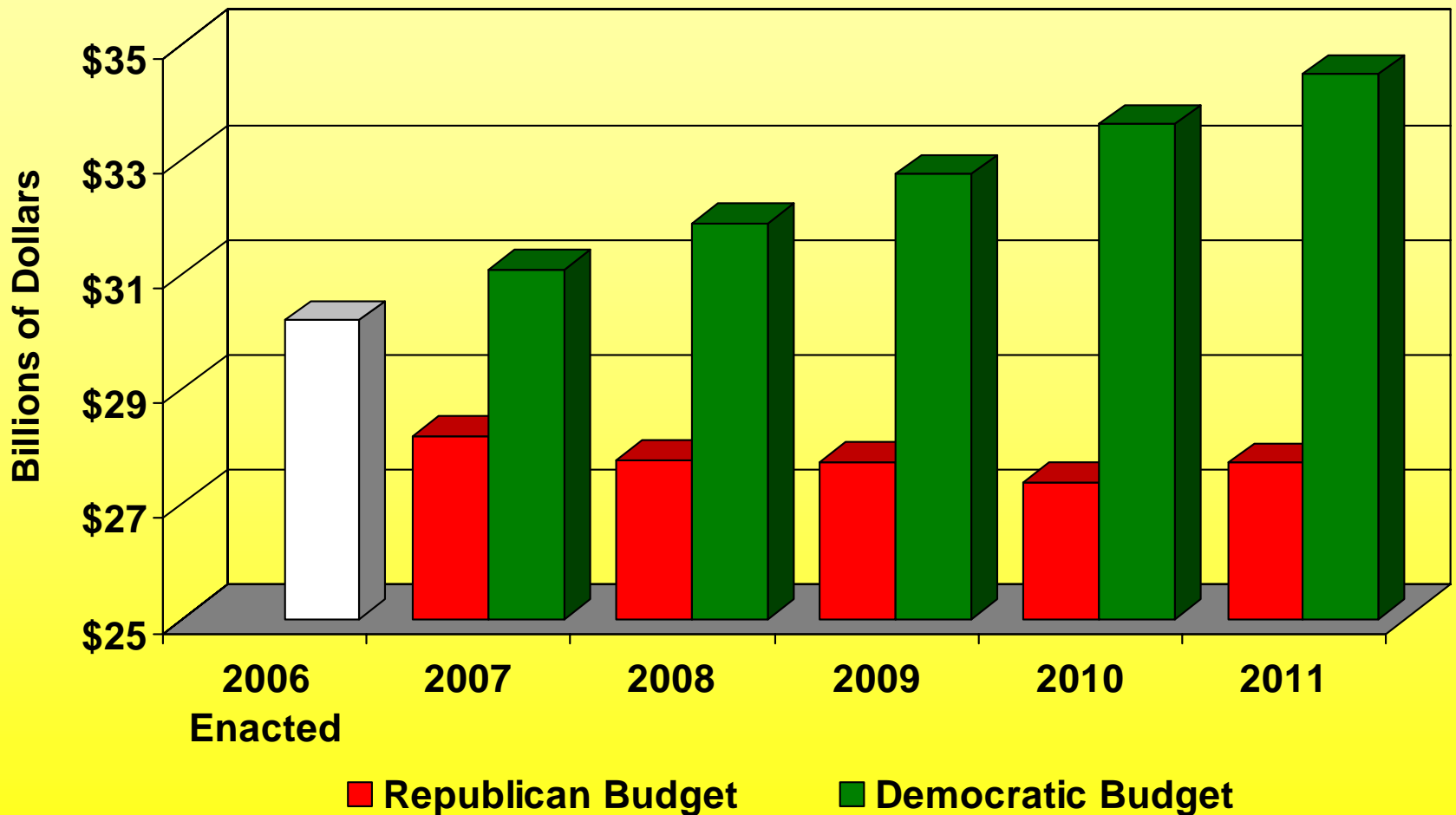
Billions of Dollars



*Does not include debt service

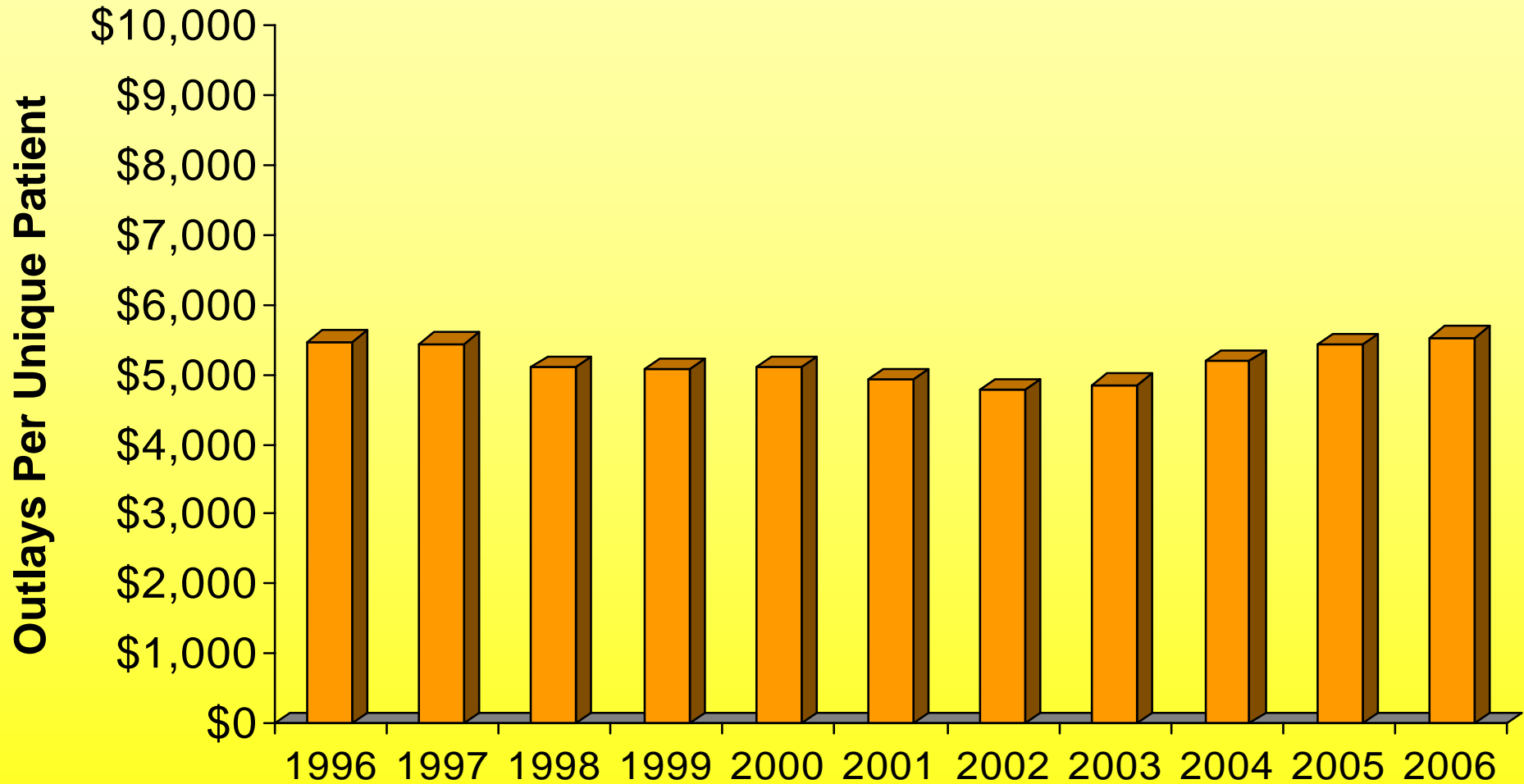
Majority Budget Undermines Environmental Protection

Function 300 Discretionary



VA Health Care

Spending on a Per Capita Basis Averages Only a 0.1 Percent Annual Increase From 1996-2006



Subfunction 703, Hospital and Medical Care for Veterans

Republican Budget Cuts Homeland Security Budget Functions **\$488 Million** in 2007

| Function | Republican Budget | CBO Current Services | Cut |
|---------------------------|--------------------------|-----------------------------|---------------|
| Community Development | \$13,048 | \$13,469 | -\$421 |
| Administration of Justice | \$40,651 | \$40,718 | -\$67 |

Millions of Dollars

Public Debt: Amending the Statutory Limit Pursuant to House Rule XXVII

The adoption of a conference agreement by the two Houses on a concurrent resolution of the budget would result in the engrossment of a House Joint Resolution adjusting the level of the statutory limit on the public debt pursuant to House Rule XXVII, in consonance with clause 3 of that rule. This resolution contemplates a joint resolution of the following form:

Resolved, by the Senate and the House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting in lieu thereof \$9,618,000,000,000.

If the joint resolution is enacted to raise the debt limit to the level contemplated by this resolution, the limit will be increased from \$8.965 trillion to \$9.618 trillion, an increase of \$653 billion.